



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Rockville General Hospital

Docket Number: 02-512

Project Title: Facility Update Project – Physical Plant
New Construction and Renovations

Statutory Reference: Section 19a-639 of the Connecticut General Statutes

Filing Date: May 30, 2002

Hearing: Waived

Decision Date: June 24, 2002

Default Date: August 28, 2002

Staff: Harold M. Oberg, Steven Lazarus and Laura Jaworski

Project Description: Rockville General Hospital (“Hospital”) proposes to implement a three-phased Facility Update Project that will expand and renovate the Hospital’s physical plant and replace aging facility infrastructure, at a total capital expenditure is \$26,812,000.

Nature of Proceedings: On May 30, 2002, the Office of Health Care Access (“OHCA”) received the Certificate of Need (“CON”) application of Rockville General Hospital for the implementation of a three-phased Facility Update Project to expand and renovate the Hospital’s physical plant and replace aging facility infrastructure. The Hospital is a health care facility or institution as defined in Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

The Hospital requested a waiver of hearing for the CON application pursuant to Section 19a-643-45 of OHCA’s Regulations and claimed that the CON application is non-

substantive as defined in Section 19a-643-95(3) of OHCA's Regulations. On May 31, 2002, the Hospital was informed that the CON application was eligible for consideration of waiver of hearing, and a notice to the public was published in the *Journal Inquirer* of Manchester and also in the *Northeast Minority News*. OHCA received no comments concerning the Hospital's request for waiver of hearing during the public comment period, and therefore, on June 21, 2002, OHCA granted the Hospital's request for waiver of hearing.

OHCA's authority to review and approve, modify or deny the CON application is established by Section 19a-639, C.G.S. The provisions of this section as well as the principles and guidelines set forth in Section 19a-637, C.G.S., were fully considered by OHCA in its review.

Findings of Fact

Each finding of fact included in this Final Decision has been taken from the CON application and related CON filings, or from other external sources of information. A source reference is included with each finding of fact. All CON applicants must attest to the accuracy and correctness of the information submitted to OHCA as part of the CON application process.

Clear Public Need

Proposal's Contribution to the Quality of Health Care Delivery in the Region Proposal's Contribution to the Accessibility of Health Care Delivery in the Region

1. Rockville General Hospital is an acute care general hospital located at 31 Union Street in Vernon, Connecticut. (*February 20, 2002 Letter of Intent, page 2*)
2. The Hospital's parent corporation is Eastern Connecticut Health Network, Inc. ("ECHN"), and the Hospital is a corporate affiliate of Manchester Memorial Hospital ("MMH"). (*Rockville General Hospital, FY 2001 Twelve Months Actual Filing, Legal Chart of Corporate Structure*)
3. The towns located in the Hospital's primary service area include Andover, Ashford, Bolton, Columbia, Coventry, East Hartford, East Windsor, Ellington, Glastonbury, Hebron, Manchester, Mansfield, Somers, South Windsor, Stafford, Tolland, Union, Vernon, and Willington. (*February 20, 2002 Letter of Intent, page 2*)
4. ECHN began a master facility planning process for the Hospital and MMH in 1999 as part of an overall strategic planning process. (*April 24, 2002 CON Application, page 3*)
5. The Hospital is proposing the implementation of its Facility Update Project's physical plant new construction and renovations, at a total capital expenditure of \$26,812,000. The Hospital's goals and objectives for the CON proposal are as follows: (*April 24, 2002 CON Application, pages 4 and 12*)

- (a) Expand and improve facilities and access to Emergency and Outpatient Services,
 - (b) Improve, redefine, and reorient the main entrance of the Hospital,
 - (c) Centralize and simplify patient functions such as registration, pre-admission testing, and patient processing,
 - (d) Create simplified and logical circulation patterns and way-finding,
 - (e) Consolidate existing inpatient beds,
 - (f) Develop a new facility image with the availability of state-of-the-art services, and
 - (g) Provide a flexible framework that allows the Hospital to adapt to future needs.
6. The Hospital believes that the need for this proposal stems from its efforts to modernize and expand its Emergency Department. The Emergency Department is located in a structure constructed in 1978, and accordingly the physical plant lacks adequate space for current technology and clinical practice, does not promote patient privacy, and does not meet the most recent safety codes and industry standards. *(April 24, 2002 CON Application, page 3)*
 7. The Hospital's 1996 introduction of PromptCare, an Emergency Department service designed to treat less severe emergency cases in a less intensive setting, led to a 27% increase in demand for Emergency Services between FY 1998 and FY 2000. *(April 24, 2002 CON Application, page 3)*
 8. The Hospital has also experienced Emergency Department diversions. Between May 2000 and December 2000, there were 16 instances of diversion, and in calendar year 2001, there were 17 instances of diversion from the Emergency Department. *(April 24, 2002 CON Application, page 6)*
 9. Anecdotal patient comments over the past year regarding the Emergency Department sometimes have been negative with respect to the perception of inadequate space, lack of privacy, and the overall condition of the Emergency Department. *(April 24, 2002 CON Application, page 6)*
 10. The Hospital believes that in addition to the Emergency Department, Rehabilitation Services is also a significantly constrained service. The Hospital took a sample of 498 records for new patients requesting such services between October 1, 2001 and February 15, 2002 that revealed the average wait time to obtain the first available appointment was 5.7 days, whereas industry standards recommend that new patients be seen within 2 days. *(April 24, 2002 CON Application, pages 5 and 7)*
 11. As with the Emergency Department, various other ambulatory service departments need additional space in order to meet code requirements and provide necessary treatment spaces for the Hospital's services. *(April 24, 2002 CON Application, page 3)*
 12. The Hospital believes that the chronological age of its buildings warrants a facility update. The Maxwell Mansion was built in 1906, and the Mason, Bissell, Butler, and Belden Buildings were added in 1963, 1967, 1970, and 1978, respectively. Therefore, the average age of the Hospital's physical plant is 13.4 years, when

compared with 9.5 years as the United States' national average age of hospital physical plants. *(April 24, 2002 CON Application, page 5)*

13. Additionally, the Hospital indicates that the proposed project will ameliorate way-finding problems throughout the facility. Specifically, the CON proposal will improve the flow of foot traffic by centralizing registration at a single location, relocating several outpatient services to the new ambulatory entrance, and establishing separate entrances for ambulance traffic and ambulatory patients. *(April 24, 2002 CON Application, page 8)*
14. Phase I of the three-phased Facility Update Project includes the following project components: *(April 24, 2002 CON Application, pages 12-13 and 15)*
 - (a) Emergency Department new construction and renovation,
 - (b) Construction of a new MRI dock,
 - (c) Relocation of the endoscopy department and GI Laboratory,
 - (d) Various site work projects,
 - (e) Infrastructure upgrades,
 - (f) Development of an area for an outpatient interchange (Phase 1), and
 - (g) Renovation and expansion of Rehabilitation Services Department.
15. Phase II of the CON proposal includes the following project components: *(April 24, 2002 CON Application, pages 13-15)*
 - (a) Expansion of the sterile processing area,
 - (b) Relocation of laboratory space,
 - (c) Relocation of cardiopulmonary and pre-admission testing areas,
 - (d) Development of a 16-bed step-down unit on Bissell III, and
 - (e) Completion of an area for an outpatient interchange (Phase 2).
16. Phase III of the CON proposal includes the following project components: *(April 24, 2002 CON Application, pages 14-15)*
 - (a) Development of a new main entrance, exterior drive, lobby, and atrium,
 - (b) Consolidate and centralize the outpatient registration area,
 - (c) Relocation and expansion of gift shop,
 - (d) Upgrade parking lot,
 - (e) Renovation of Emergency Department administrative support area,
 - (f) Main Entrance site work, and
 - (g) Renovation of nursing core and support spaces on Bissell Building, Floor II.
17. The Hospital's total licensed beds will not change as a result of the CON proposal. A breakdown of the Hospital's current total licensed beds is as follows: *(April 24, 2002 CON Application, page 21)*

Licensed Beds

| Type of Licensed Bed | Number of Licensed Beds |
|----------------------|-------------------------|
| Medical/Surgical | 75 |
| ICU | 9 |
| Pediatric | 6 |
| Maternity | 12 |
| Newborn Bassinets | 16 |
| Total | 118 |

18. In terms of the impact of new construction and renovations on the providing of patient care, the Hospital's development of a three-phased plan will allow existing operations to be maintained throughout the duration of the various new construction and renovation components of the proposed project. *(April 24, 2002 CON Application, page 16)*

19. The schedule for new construction/renovation related to the Hospital's proposed Facility Update Project is as follows: *(April 24, 2002 CON Application, page 18)*

| Facility Update Project Schedule | |
|----------------------------------|----------------|
| Description of Schedule Date | Date |
| Commencement Date | September 2002 |
| Completion Date | July 2007 |
| Occupancy Date: Phase I | September 2004 |
| Occupancy Date: Phase II | May 2005 |
| Occupancy Date: Phase III | July 2007 |

Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicant's Rates and Financial Condition
Impact of the Proposal on the Applicant's Current Utilization Statistics
Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services

20. The Hospital's Facility Update Project has a proposed total capital expenditure of \$26,812,000. A breakdown of the CON proposal's total capital expenditure is as follows: *(April 24, 2002 CON Application, page 11)*

| Description | Phase I | Phase II | Phase III | Total |
|----------------------------------|---------------------|--------------------|--------------------|---------------------|
| Fixed Equipment (Purchase) | \$ 535,000 | \$ 112,300 | \$ 0 | \$ 647,300 |
| Movable Equipment (Purch.) | 1,698,200 | 1,067,600 | 164,000 | 2,929,800 |
| Construction/Renovation | 13,616,300 | 3,342,800 | 4,965,000 | 21,924,100 |
| Other (Non-Construction) | 684,800 | 345,500 | 280,500 | 1,310,800 |
| Total Capital Expenditure | \$16,534,300 | \$4,868,200 | \$5,409,500 | \$26,812,000 |

21. A breakdown by phase and by construction cost component of the \$21,924,100 in new building construction and renovation costs for the CON proposal is as follows: *(May 15, 2002 Completeness Responses, pages 7 and 8)*

Phase I

| Description | New Construction | Renovation | Total |
|--------------------------------|-------------------------|---------------------|---------------------|
| Total Building Work Costs | \$ 5,249,840 | \$ 4,180,960 | \$ 9,430,800 |
| Total Site Work Costs | 1,556,440 | | 1,556,440 |
| Total Off-Site Work Costs | | | |
| Total Arch. & Eng. Costs | 1,530,320 | | 1,530,320 |
| Total Contingency Costs | 1,098,740 | | 1,098,740 |
| Inflation Adjustment Cost | | | |
| Total Construction Cost | \$ 9,435,340 | \$ 4,180,960 | \$13,616,300 |

Phase II

| Description | New Construction | Renovation | Total |
|--------------------------------|-------------------------|---------------------|--------------------|
| Total Building Work Costs | | \$ 2,665,490 | \$ 2,665,490 |
| Total Site Work Costs | | | |
| Total Off-Site Work Costs | | | |
| Total Arch. & Eng. Costs | | 90,900 | 90,900 |
| Total Contingency Costs | | 266,550 | 266,550 |
| Inflation Adjustment Cost | | 319,860 | 319,860 |
| Total Construction Cost | | \$ 3,342,800 | \$3,342,800 |

Phase III

| Description | New Construction | Renovation | Total |
|--------------------------------|-------------------------|--------------------|---------------------|
| Total Building Work Costs | \$1,216,000 | \$1,086,400 | \$ 2,302,400 |
| Total Site Work Costs | 1,376,380 | | 1,376,380 |
| Total Off-Site Work Costs | | | |
| Total Arch. & Eng. Costs | 109,000 | | 109,000 |
| Total Contingency Costs | 367,880 | | 367,880 |
| Inflation Adjustment Cost | 809,340 | | 809,340 |
| Total Construction Cost | \$3,878,600 | \$1,086,400 | \$ 4,965,000 |

| Description | Total Project | | |
|--------------------------------|---------------------|---------------------|----------------------|
| | New Construction | Renovation | Total |
| Total Building Work Costs | \$ 6,465,840 | \$ 7,932,850 | \$ 14,398,690 |
| Total Site Work Costs | 2,932,820 | | 2,932,820 |
| Total Off-Site Work Costs | | | |
| Total Arch. & Eng. Costs | 1,639,320 | 90,900 | 1,730,220 |
| Total Contingency Costs | 1,466,620 | 266,550 | 1,733,170 |
| Inflation Adjustment Cost | 809,340 | 319,860 | 1,129,200 |
| Total Construction Cost | \$13,313,940 | \$ 8,610,160 | \$ 21,924,100 |

22. The CON proposal's total capital expenditure of \$26,812,000 will be financed entirely with equity funds from the Hospital's unrestricted Board Designated funds of \$16,106,000 and Endowment funds of \$10,255,000 with the balance of \$550,900 expected to come from fundraising. *(May 15, 2002 Completeness Responses, page 3)*
23. The Hospital projects the following incremental revenue from operations, operating expense, and gain/(loss) from operations associated with the CON proposal: *(May 30, 2002 Completeness Responses, page 6)*

| Description | FY 2003 | FY 2004 | FY 2005 |
|--|-----------------|--------------------|--------------------|
| Incremental Revenue from Operations | \$202,168 | \$458,630 | \$1,574,269 |
| Incremental Operating Expense | 168,091 | 839,089 | 1,795,651 |
| Incremental Gain/(Loss) from Operations | \$34,077 | (\$380,459) | (\$221,381) |

24. The projected incremental losses from operations are primarily due to significantly increased depreciation expense associated with capital expenditures made in the earlier years of implementation of the CON proposal. *(April 24, 2002 CON Application, page 21)*
25. The Hospital also projects incremental volume increases associated with the CON proposal as follows: *(May 30, 2002 Completeness Responses, page 6)*

| Description | FY 2003 | FY 2004 | FY 2005 |
|----------------------------|---------|---------|---------|
| Average Daily Census | 0 | 0 | 3 |
| Total Patient Days | 0 | 0 | 1,106 |
| Total Admissions | 0 | 0 | 307 |
| Emergency Dept. Visits | 0 | 0 | 1,367 |
| Rehab. Services Treatments | 7,983 | 17,045 | 23,594 |

26. Based upon net patient revenue, the Hospital's projected payer mix during the first three years of the implementation of the CON proposal is as follows: *(April 24, 2002 CON Application, page 20)*

| Payer Mix | | | |
|-----------------------------|---------------|---------------|---------------|
| Payer Source | Year 1 | Year 2 | Year 3 |
| Medicare | 39.4% | 39.4% | 39.4% |
| Medicaid | 7.8% | 7.8% | 7.8% |
| TriCare | 0.1% | 0.1% | 0.1% |
| Total Government | 47.3% | 47.3% | 47.3% |
| Commercial Insurers | 47.0% | 47.0% | 47.0% |
| Self-Pay | 0.5% | 0.5% | 0.5% |
| Workers Compensation | 0.5% | 0.5% | 0.5% |
| Total Non-Government | 48.0% | 48.0% | 48.0% |
| Uncompensated Care | 4.7% | 4.7% | 4.7% |
| Total Payer Mix | 100.0% | 100.0% | 100.0% |

Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines

The following findings are made pursuant to the principles and guidelines set forth in Section 19a-637, C.G.S.:

27. There is no State Health Plan in existence at this time. *(April 24, 2002 CON Application, page 5)*
28. The Hospital has adduced evidence that this proposal is consistent with the Hospital's long-range plan. *(April 24, 2002 CON Application, page 5)*
29. The Hospital has improved productivity and contained costs through the implementation of various activities involving energy conservation, group purchasing, reengineering, and the application of technology. *(April 24, 2002 CON Application, page 10)*
30. The Hospital has no teaching or research responsibilities that would be affected as a result of the proposal. *(April 24, 2002 CON Application, page 10)*
31. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(April 24, 2002 CON Application, page 10)*
32. The Applicant has sufficient technical, financial and managerial competence to provide efficient and adequate service to the public. *(April 24, 2002 CON Application, Attachment A, pages 24-42)*

Rationale

Rockville General Hospital (“Hospital”) is proposing to implement a three-phased Facility Update Project to expand and renovate the Hospital’s physical plant and replace aging facility infrastructure, at a total capital expenditure of \$26,812,000. The Hospital has designed the project to meet future growth in demand projected for the Hospital’s services and to enhance the quality and accessibility of the delivery of its patient services.

Phase I of the project includes Emergency Department new construction and renovations, construction of a new MRI dock, relocation of the endoscopy department and the GI laboratory, various site work components, infrastructure upgrades, development of an area for an outpatient interchange, and the renovation and expansion of Rehabilitation Services space. The second phase of the project includes the expansion of the sterile processing area, relocation of the laboratory, relocation of the cardiopulmonary and pre-admission testing areas, development of a 16-bed step-down unit, and the completion of the outpatient interchange area. The third phase of the project includes the development of a new main entrance, exterior drive, lobby and atrium, centralization of a new registration area, relocation and expansion of the Hospital’s gift shop, upgrading of the parking lot, development of an Emergency Department administrative support area, main entrance site work, and the renovation of nursing core and support spaces.

The need for the project stems from the Hospital’s efforts to modernize and expand its physical plant, specifically its Emergency Department, which has experienced diversions, lacks adequate space, does not promote needed patient privacy, and fails to meet safety code requirements. In addition, other ambulatory service departments, including Rehabilitation Services, are also spatially constrained and do not meet safety code requirements. The three-phased project is designed to minimize the impact of the project’s new construction and renovations on patient services, and will allow Hospital operations to be maintained for the duration of the project. OHCA finds that the Hospital has demonstrated that its Facility Update Project proposal is needed for the Hospital to continue to provide patient services at a high level of quality, and that the proposal will contribute to the accessibility of health services in the region.

The capital expenditure for the proposal is \$26,812,000 and the proposal will be entirely equity financed. The Hospital projects small incremental losses from operations in the earlier years of the proposal’s implementation period. These are due primarily to significantly increased depreciation expense but these small losses are not significant due to the overall scope and length of the CON proposal. Therefore, OHCA finds that the Hospital’s proposal will not only improve the quality and accessibility of its patient services but that the Hospital’s proposal is also financially feasible and cost-effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Rockville General Hospital to implement its three-phased Facility Update Project to expand and renovate the Hospital’s physical plant and replace aging infrastructure, at a total capital expenditure of \$26,812,000, is hereby GRANTED.

Order

Rockville General Hospital (“Hospital”) is hereby authorized to implement a three-phased Facility Update Project to expand and renovate the Hospital’s physical plant and replace aging facility infrastructure, at a total capital expenditure of \$26,812,000, subject to the following conditions:

1. This authorization shall expire on June 30, 2008. Should the Hospital’s three-phased Facility Update Project not be completed by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
2. The Hospital shall not exceed the approved capital expenditure of \$26,812,000. In the event that the Hospital learns of potential cost increases or expects that the final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised project budget.
3. Prior to the commencement of Phase II and also Phase III of the Facility Update Project, the Hospital shall report to OHCA the completion date of Phase I and Phase II, and shall report the actual total capital expenditures incurred for each completed project phase before commencing the next phase of the three-phased Facility Update Project.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

By Order of the
Office of Health Care Access

Date

Raymond J. Gorman
Commissioner

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